

**SHELBY COUNTY BOARD OF COMMISSIONERS
AGENDA ROUTE SHEET**

Referred to Commission Committee #7 Economic Development & Tourism

For Commission Action on November 23, 2009

DESCRIPTION OF ITEM: A RESOLUTION BY THE BOARD OF COMMISSIONERS OF SHELBY COUNTY, TENNESSEE APPROVING POLICY AND PROGRAM CHANGES TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS AND COUNTY OF SHELBY PAYMENT-IN-LIEU-OF-TAX (PILOT) PROGRAM CONCERNING THE GRANTING OF INCENTIVES FOR JOB RETENTION AND AUTHORIZING ANY NECESSARY AMENDMENTS TO ITS CORPORATE CHARTER. SPONSORED BY COMMISSIONER JAMES HARVEY.

CHECK ALL THAT APPLY BELOW:

X This Action does NOT require expenditure of funds.

_____ This Item requires/approves expenditure of funds as follows (complete all that apply):

County General Funds: \$ _____ ; County CIP Funds- \$ _____

State Grant Funds: \$ _____ ; State Gas Tax Funds: \$ _____

Federal Grant Funds: \$ _____

Other funds (Specify source and amount): \$ _____

Other pass-thru funds (Specify source and amount): \$ _____

Originating Department: Division of Planning and Development

APPROVAL:

Dept. Head:	<u>Charles Gulotta</u> <u>576-7167</u>	<u>CG</u>	<u>Nov 10, 2009</u>
	(Type your name & phone #.)	(Initials)	(Date)
Elected Official:	_____	_____	_____
	(Type your name & phone #.)	(Initials)	(Date)
Division Director:	<u>Richard S. Copeland</u> <u>576-7197</u>	<u>RC</u>	<u>11-10-09</u>
	(Type your name & phone #.)	(Initials)	(Date)
CIP – A&F Director:	_____	_____	_____
	(Type your name & phone #.)	(Initials)	(Date)
Finance Dept.	<u>Mike Swift</u> <u>whichards 11/10/09</u>	<u>MS</u>	<u>11/10/09</u>
	(Type your name & phone #.)	(Initials)	(Date)
County Attorney:	_____	<u>RSAL</u>	<u>11/10/09</u>
	(Type your name & phone #.)	(Initials)	(Date)
CAO/Mayor:	<u>James F. Huntzicker</u> <u>545-4514</u>	<u>JFH</u>	<u>11-10-2009</u>
	(Type your name & phone #.)	(Initials)	(Date)

Item # _____

Prepared by: Mark Beutelschies

Commissioner: James Harvey

Approved by: 

RESOLUTION BY THE BOARD OF COMMISSIONERS OF SHELBY COUNTY, TENNESSEE APPROVING POLICY AND PROGRAM CHANGES TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS AND COUNTY OF SHELBY PAYMENT-IN-LIEU-OF-TAX (PILOT) PROGRAM CONCERNING THE GRANTING OF INCENTIVES FOR JOB RETENTION AND AUTHORIZING ANY NECESSARY AMENDMENTS TO ITS CORPORATE CHARTER.

WHEREAS, In 1987, the Board of County Commissioners of Shelby County, Tennessee, and the Memphis City Council granted the Industrial Development Board of the City of Memphis and County of Shelby (IDB) authority to provide financial incentives in the form of payment in lieu of ad valorem taxes (PILOT) to attract new businesses and new job opportunities; and

WHEREAS, The policies of the IDB have been amended over the years to strengthen the program and provide benefits commensurate with the level of investment, the number of jobs, and wages provided by businesses receiving a PILOT and to ensure performance of the commitments in these areas, the most recent amendments having been adopted in 2009 upon the recommendation of the Memphis City Council and the Board of County Commissioners of Shelby County, Tennessee; and

WHEREAS, The PILOT program of the IDB has become the key recruitment tool for Memphis and Shelby County in attracting new jobs and investment, using an internationally recognized benefit versus cost analysis and matrix scoring system to ensure that new jobs recruited to the community generate more revenues than taxes forgiven; and

WHEREAS, Memphis and Shelby County's unique location at the center of the country combined with its unparalleled infrastructure and multimodal transportation capacity makes it an attractive place for business; and

WHEREAS, The competition between cities to attract new jobs and industry has grown dramatically over the past decade, both with traditional peer cities and, most notably, with other parts of the Memphis, TN-MS-AR Metropolitan Area; and

WHEREAS, Based on evolving economic conditions, the retention of jobs has taken on a significant urgency, and

WHEREAS, Due to significant changes in the national, regional, state and local economy, it has become necessary to examine and develop strategies to retain jobs in Memphis and Shelby County as no local retention incentives exist at the present time.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SHELBY COUNTY, TENNESSEE, That it supports actions by the

Industrial Development Board of the City of Memphis and County of Shelby to implement policies and procedures: (1) to grant PILOT incentives to Applicants based on job retention, based upon criteria established by the IDB, so as to preserve jobs in Memphis and Shelby County (A copy of the current proposed retention policies is attached and incorporated herein as Exhibit A.); and (2) to grant such incentives where approved by both the Mayor of the City of Memphis and the Mayor of Shelby County.

BE IT FURTHER RESOLVED, That the Industrial Development Board of the City of Memphis and County of Shelby is hereby authorized to amend its Corporate Charter, its Policy Manual, other governing or guidance documents, and its leases and other legal documents as necessary to implement the policy and program changes outlined in Exhibit A.

BE IT FURTHER RESOLVED, That, notwithstanding any prior Resolution adopted by the Board of County Commissioners of Shelby County, Tennessee, the Industrial Development Board of the City of Memphis and the County of Shelby is hereby authorized to apply policy and program changes adopted pursuant to this Resolution to PILOT applications approved prior to the date of this resolution.

County Mayor

Date: _____

ATTEST:

Clerk of County Commission

ADOPTED: _____

EXHIBIT A

Proposed Memphis and Shelby County IDB Retention Program Guidelines Fall, 2009

To qualify for a payment-in-lieu-of-tax (PILOT) retention incentive from the Industrial Development Board of the City of Memphis and County of Shelby (IDB):

1. Company must have been operating and directly employing workers in Shelby County for 10 years prior to applying for this retention assistance.
2. Company must be financially sound.
3. Company history and performance regarding any past PILOT agreements will be reviewed by the IDB.
4. Company must be expanding its operations and upgrading its technology or processes to better position the company for longevity.
5. Company must demonstrate a long-term commitment to Shelby County by buying or building a facility to house its operations, expanding an existing facility, or by signing or extending a lease for at least as long as the term of the incentive.
6. Company must invest a minimum of \$10 million in real and/or personal property for this project in Shelby County.
7. Company must retain a minimum of 100 jobs in Shelby County with an annual average pay that equals or exceeds the Shelby County Average Annual Wage.
8. Financial benefit within Memphis and Shelby County from the jobs retained must exceed the opportunity cost of the tax incentive by a ratio of at least 2 to 1 over the term of the incentive agreement, however:
 - a. This ratio may be lowered (not below 1 to 1) when the Shelby County unemployment rate exceeds 8.5%, or raised if the unemployment rate is below 5%.
 - b. If the benefit to cost ratio significantly exceeds 3 to 1 the IDB may lower the minimum requirements for job retention and/or capital investment, so long as the resulting benefit to cost ratio exceeds 1 to 1.
9. Additional years may be added to the PILOT incentive term for achieving Green Initiatives and for exceeding Diversity Program requirements as outlined in the IDB PILOT Program Overview; these additional years may bring the benefit to cost ratio below minimum requirement, however, the benefit to cost ratio must always exceed 1 to 1.

10. As with all PILOTS granted by the IDB, the term of the retention PILOT agreement shall not exceed 15 years.
11. Company must comply with all IDB application, fee, compliance, and Diversity Plan requirements in the Memphis and Shelby County Payment in Lieu of Tax Program Guidelines.
12. The Memphis and Shelby County IDB PILOT Evaluation Matrix will be applied to the projected jobs retained and capital investment to determine a benchmark for measuring compliance.
13. If the Company does not comply with the number of jobs to be retained or the amount of capital investment for the project, the Evaluation Matrix will be applied to the actual jobs retained and capital investment to determine the appropriate reduction or termination of incentive benefits.
14. A relevant ramp-up period will be established for each retention project.